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SUBJECT: UNITED RUSSIA EXPECTS BIG THINGS FROM ROSTOV-ON-DON

Classified By: Ambassador William J. Burns. Reasons: 1.4 (b,d).

Summary

11. (C) The Ambassador's November 19-20 visit to Rostov-on-Don revealed that Russia's fifth most populous region falls squarely in the ruling party vote bank. Governor Vladimir Chub, who has ruled Rostov for sixteen years, appears too busy opening shopping centers and meeting trade delegations to meddle in party politics, but the local United Russia party organization seems more than up to the task of amassing enough votes on December 2 to rival the party's near-sweep in the 2003 parliamentary elections. Few expect Chub, who heads the local United Russia list, to take a seat in the national Duma when elected, but his popularity should aid the already-dominant party's fortunes. Opposition parties in Rostov seemed resigned to the ruling party onslaught. Local opposition leaders complained of the misuse of administration powers and their own party leaders' indifferent campaigning, and questioned whether they would survive locally without a decent showing in the upcoming elections. As in most of Russia, concerns over rising prices exist in Rostov along with complaints about the federal government's development strategies, but they will not be enough to derail United Russia. End Summary.

12. (SBU) On November 19 - 20, Ambassador Burns visited Rostov-on-Don and met with civic, educational, and political leaders. He discussed U.S. investment and Rostov's development as a regional center for trade and industry with Rostov Oblast Governor Vladimir Chub. Chub and the Ambassador also talked about opportunities for U.S. investment and continued exchange and educational ties between the U.S. and southern Russia. During a meeting with Aleksandr Rodin, President of the Rostov Oblast Association of Peasant Farms and Agricultural Cooperatives, Ambassador discussed the problems facing local farms and relations with the different layers of government that affect the development of agri-businesses. At the American Center at the Don Regional Library, Ambassador highlighted prospects for greater U.S. interaction with alumni of USG-sponsored exchange programs. At Southern Federal University, the Ambassador stressed how shared interests should keep the bilateral relationship strong as it enters its third century.

Rostov-on-Don, a City not too Busy to Vote

13. (SBU) Rostov Oblast is part of the Southern Federal District, and with 4.4 million inhabitants (over one-quarter of whom live in Rostov-on-Don) it is the fifth most populous region in Russia. Numerous start-up companies have established their headquarters in Rostov-on-Don. The population's median income is increasing as the city

transforms itself into a modern, industrial and technological hub with a major port on the Sea of Azov. The Rostov-based Rosvertol is the only enterprise in the Russian Federation to produce multi-use helicopters and the local Rostselmash is Russia's largest producer of agricultural machinery.

14. (C) Vladimir Chub was first appointed Governor in 1991. In 1996, he won the region's first gubernatorial election and was re-elected in 2001 with over 78 percent of the vote. Chub was re-appointed by Putin in 2005 and is leading the 13-member regional party list for United Russia in the December 2 Duma elections. There are currently 13 members of the Duma from the region, seven of whom were elected from single mandate constituencies. Representatives from the local United Russia office said they wanted to include 16 people on their regional candidate list, but were only given 13 slots by party headquarters in Moscow. According to these same officials, any additional seat in the Duma earned because of the high voter turnout and support of Putin and United Russia in Rostov would be used to send someone from outside Rostov to the Duma. Putin's popularity and United Russia's prominence in Rostov will ensure Chub's election to the Duma. Bucking the trend of some recent polls (septel), Chub predicted that only three parties (United Russia, The Communist Party and Zhirinovskiy's Liberal Democratic Party) will make it past the seven percent barrier. He characterized Just Russia and the Union of Right Forces (SPS) as weak, personality-driven parties with no real support, while Yabloko's Yavlinskiy and SPS's Nemtsov are too ambitious to garner genuine support among Rostov voters.

#### Small Parties Down and Perhaps Out

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15. (SBU) Representatives from Yabloko and SPS complained about the barriers to campaigning against the ruling party. Throughout the city, the only billboards and advertisements visible were for United Russia, Just Russia and the Liberal Democratic Party. Roman Bazikov, Executive Director of the local SPS branch and a professor at Southern Federal University, said that government officials forced the owner of a private hall to cancel the party's reservation at the last minute last month, forcing SPS to hold the meeting outside the building. Bazikov said that although actual turnout for the December 2 Duma elections will actually be 50 percent, the figure election officials will give could be over 70 percent. (Note: United Russia representatives "confirmed" that they expect around 75 percent turnout.) Lidiya Rtishcheva, editor of the local Molot daily newspaper (circulation 10 thousand) said that as the paper of the oblast administration, Molot is required to provide free space twice a week to political parties. She added that two parties had agreed to delete what the paper had deemed were incendiary statements from some of their campaign literature.

16. (SBU) Local SPS and Yabloko representatives thought they had not gotten sufficient support from their parties' central offices in Moscow. Neither Nemtsov nor Yavlinskiy had spent much or any time in Rostov, nor had they provided campaign materials specifically tailored for local voters. Local Yabloko head Sergey Mironov said that the defection of Duma representative Mikhail Yemelyanov from Yabloko to Just Russia had left Yavlinskiy reluctant to visit Rostov. For years Yavlinskiy had praised Yemelyanov as his local protege. Both representatives had participated in question and answer formats on local television and planned to continue to do so in the days leading up to the election. Bazikov and Mironov told us that if SPS and Yabloko do not poll between five and ten percent in Rostov, their participation in the March local and presidential elections may be in jeopardy. In March 2008 half of the regional duma's 50 members will be chosen by proportional voting, and half by single-mandate voting. Both parties will field observation teams for the December 2 elections, but neither will cover all 2,500 precincts in

Rostov oblast. SPS and Yabloko made no effort to work together to divide the precincts in order to provide wider monitoring of the voting process.

#### Rostov Governor is Pro-Business, Pro-Development

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¶17. (SBU) With the Ambassador, Chub focused on the development of the local economy, especially investments by U.S. companies. He bragged that in southern Russia, only Samara could claim as many well-known firms as Rostov. Alcoa recently purchased one of the area's largest factories, the Hyatt chain will develop a hotel and commercial center, and Coca Cola and Pepsi are also expected to set up production facilities in the near future. The German supermarket chain Metro has had a megastore in Rostov for two years, while IKEA and the French retailer Auchan would open in the near future.

While John Deere and Rostselmash were competitors in the sale of farm machinery, Chub hoped that Rostselmash could serve as a distributor for Deere. According to Chub, the region's largest trading partner is Ukraine, and trade with Turkey is also increasing.

¶18. (C) Chub noted with pride that the National Priority Projects' plan is making a great contribution in Rostov and that his government had already developed a master plan for investments in education and healthcare before it was launched in 2005. With the National Priority Projects' plan, Chub was able to complete in one year what he had thought would take up to two or three. He noted that he was now focusing Priority Project funds on drug addiction and HIV-Aids. He said that there are now spaces for 4,000 patients in hospices, but lamented that there are not enough doctors. The oblast has resorted to enticing doctors to the region with promises of free apartments and positions at the medical institutes to fill the void.

#### Agriculture Still Plays a Major Role

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¶19. (C) Chub admitted that inflation, especially the rise in prices of certain staples, was a cause for concern locally. According to him, the biggest problem is the rise in the price of milk. He blamed his own government for not acting quickly enough to control the price of milk two years ago. He also noted reductions in beef production and acute shortages in sunflower seeds, the latter due, in most part, to last year's drought which according to a local farmer had affected Rostov more drastically than neighboring Stavropol

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and Krasnodar.

¶10. (SBU) Farm and Agricultural Cooperative Association head Rodin told Ambassador that although retail prices for agricultural products have increased, so have the prices for agricultural inputs. He noted that although a new bank, Rosselkhozbank, was created some years ago to provide credit to agricultural producers, lack of experience meant it could fulfill only 60 percent of all the applications by farmers for credit. Rodin did note that the bank is now working better with farmers' credit cooperatives and hoped for better results next year. He expressed frustration with the high rate of turnover of Putin's regional representative. It was difficult to establish a long-term plan to help local farmers as part of the new Program for Agricultural Development. Former Southern Region Polpred Dmitriy Kozak had charged Rodin with developing a small enterprise development plan in September, but Kozak changed jobs before Rodin could get the program off the ground. Rodin hoped a working group he has set up will be able to begin meeting in order to make sure that as the new Minister for Regional Development, Kozak fulfills the government's responsibilities to develop small businesses, especially small farms, as part of Putin's National Priorities.

Comment

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¶11. (C) As a popular governor with administrative resources at his disposal, Chub will be able to deliver the votes necessary to guarantee that United Russia will keep its hold on 11 of 13 Duma members from the Rostov oblast. Rostov has experienced strong growth during Chub's tenure and both he and Putin got over 70 percent of vote during their last elections. United Russia has a strong team in Rostov whose only problem is ensuring voter turnout on election day. Only the Communists and the Liberal Democrats appear to have a chance at gaining any leftover seats.

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